

**Supporting Statement for the  
Annual Report of Bank Holding Companies (FR Y-6; OMB No. 7100-0124), Report of  
Changes in Organizational Structure (FR Y-10; OMB No. 7100-0297), and Report of  
Changes in FBO Organizational Structure (FR Y-10F; OMB No. 7100-0297).**

**Summary**

The Board of Governors of the Federal Reserve System, under delegated authority from the Office of Management and Budget (OMB), proposes to extend for three years, with revision, the following mandatory information collections:

- Annual Report of Bank Holding Companies (FR Y-6; OMB No. 7100-0124),
- Report of Changes in Organizational Structure (FR Y-10; OMB No. 7100-0297), and
- Report of Changes in FBO Organizational Structure (FR Y-10F; OMB No. 7100-0297).

The FR Y-6 is an annual report filed by all bank holding companies containing financial data, an organization chart, and information about shareholders. The Federal Reserve uses the data to monitor holding company operations and determine holding company compliance with the provisions of the Bank Holding Company Act (BHC Act) and Regulation Y (12 CFR 225).

The FR Y-10 is an event-generated report filed by top-tier domestic bank holding companies (BHCs), including financial holding companies (FHCs), and state member banks unaffiliated with a BHC or FHC, to capture changes in their regulated investments and activities. The Federal Reserve uses the data to monitor structure information on subsidiaries and regulated investments of these entities engaged in both banking and nonbanking activities.

The FR Y-10F is an event-generated report filed by foreign banking organizations (FBOs), including financial holding companies (FHCs), to capture changes in their regulated investments and activities. The Federal Reserve uses the data to ensure compliance with U.S. banking laws and regulations and to determine the risk profile of the FBO structure.

The Federal Reserve proposes to revise the FR Y-6 by requiring that only top-tier BHCs file the FR Y-6 report, eliminating Report Item 1(a) that requires a BHC to submit a copy of its Securities and Exchange Commission (SEC) form 10-K, adding three minor items to the cover page, and clarifying several areas in the instructions. The total current annual reporting burden is estimated to be 22,552 hours and is estimated to decrease by 639 hours with these proposed revisions. The proposed FR Y-6 revisions would be effective with fiscal years beginning after December 31, 2003.

The Federal Reserve also proposes to revise the FR Y-10 and FR Y-10F forms and instructions in an effort to reduce respondent burden. The proposed revisions to the reporting forms consist primarily of reorganizing line items into separate schedules for banking and nonbanking investments. In addition, The Federal Reserve proposes to replace FRS activity codes with the North American Industrial Classification System (NAICS) codes and to reorganize and clarify the instructions. The total current annual reporting burden for both reports is estimated to be 14,284 hours and is estimated to decrease by 2,857 hours with these proposed revisions. The proposed revisions to the FR Y-10 and FR Y-10F would be implemented as of May 31, 2004.

## **Background and Justification**

### **FR Y-6**

Section 5(c) of the BHC Act authorizes the Federal Reserve to require BHCs to keep the Federal Reserve informed, in part, of their financial condition, risk management systems, and transactions with bank subsidiaries. Data from the FR Y-6 enable the Federal Reserve to monitor holding company operations, ensure that operations are conducted in a safe and sound manner, and determine holding company compliance with the provisions of the BHC Act and Regulation Y. The data collected about shareholders, directors, officers and others provide valuable information, which is used for supervisory purposes in various ways. For example, data on outside business interests of directors and officers aid in identifying chain banking organizations by indicating when an individual owns 25 percent or more of each of two or more banking organizations. In addition, information on the principal owners and directors is of supervisory importance since these individuals have a significant effect on the policies and condition of banking organizations. Furthermore, information on the outside business interests of insiders can be useful in uncovering situations that involve a conflict of interest or preferential treatment in the granting of credit. Finally, information on ownership helps the Federal Reserve monitor compliance with the Change in Bank Control Act.

A number of BHCs are not inspected on an annual basis. Therefore, annual reporting of this information in the FR Y-6 is essential for supervisory purposes because it provides information between BHC inspections. The timely collection of these data in a supervisory report enhances the Federal Reserve's efforts to monitor BHC activities.

The FR Y-6 is available to other federal banking agencies for use in their supervision of national and state nonmember banks. In addition, the FR Y-6 serves as a source of information on BHCs for the public and for responses to information requests from Congress.

### **FR Y-10**

In 1985, the Annual Report of Domestic Bank Holding Companies (FR Y-6) was restructured to collect only financial information, and the Changes in Investments and Activities of Top-Tier Financial Holding Companies, Bank Holding Companies, and State Member Banks (FR Y-6A; OMB No. 7100-0124), was created to capture structure information for new BHCs or BHCs that had undergone a change in their structure. In April 2000, the Federal Reserve revised the FR Y-6A to collect information on changes in investments and activities related to the Gramm-Leach-Bliley Act of 1999 from financial holding companies and unaffiliated state member banks. In September 2001, the Federal Reserve replaced the FR Y-6A with the FR Y-10 to reduce the burden and costs associated with this report. This revision made the reporting of structure information by domestic and foreign banking organizations more similar, increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method of reporting percentage ownership of nonbanking investments, and simplified the reporting of legal authority and activity codes. Finally, the reporting of certain information on the structure of foreign investments was moved from the Report of Changes in

Foreign Investments (Made Pursuant to Regulation K) (FR 2064; OMB No. 7100-0109) to the FR Y-10, the FR 2064 was changed to a recordkeeping requirement.

The Federal Reserve System uses this information to monitor the activities of reportable companies to ensure that the activities are conducted in a safe and sound manner. The FR Y-10 data provide the Federal Reserve with information integral to monitoring compliance with the Bank Holding Company Act, the Gramm-Leach-Bliley Act, the Federal Reserve Act (FRA), Regulation Y, and Regulation K. Additionally, the FR Y-10 is the only source of information collected by a banking agency that captures detailed information on the structure of the banking organizations described in the Respondent Panel section below.

### **FR Y-10F**

In 1995, the Foreign Banking Organization Structure Report on U.S. Banking and Nonbanking Activities (FR Y-7A; OMB No. 7100-0125) was implemented to collect structure information previously collected in section II of the Annual Report of Foreign Banking Organizations (FR Y-7; OMB No. 7100-0125). In December 1999, the report was modified to collect an FR Y-7A for each company represented on the FR Y-7 organizational chart so that an accurate representation of the FBO could be captured. In April 2000, the Federal Reserve revised the FR Y-7A to collect information on changes in investments and activities related to the Gramm-Leach-Bliley Act of 1999 from FBOs that are financial holding companies. In September 2001, the Federal Reserve replaced the FR Y-7A with the FR Y-10F. This revision made the reporting of structure information by domestic and foreign banking organizations more similar, increased the thresholds for investments to be included, reduced the types of investments to be included, streamlined the method of reporting percentage ownership of nonbanking investments, and simplified the reporting of legal authority and activity codes. Also, the FR Y-10F collects data on managed non-U.S. branches, not previously reported on the FR Y-7A. The Federal Reserve System uses this information to assess the FBO's ability to be a continuing source of strength to its U.S. banking operations and to determine compliance with U.S. laws and regulations.

### **Description of Information Collection**

The FR Y-6 is annual report filed by all BHCs and consists of the requirement to submit SEC Form 10-K if the BHC is registered with the SEC. BHCs not registered with the SEC are required to submit, if one is created, their annual report to shareholders. The FR Y-6 also requires the submission of an organizational chart and collects information on the identity, percentage ownership, and business interests of principal shareholders, directors, and executive officers.

The FR Y-10 collects data on organizational structural changes for the reportable companies listed in the respondent panel. There are three schedules: the Characteristics Schedule, which collects information on the initial establishment of a relationship and on changes to legal names and locations for any reportable company; the Investments and Activities Schedule, which collects information on acquisitions, sales, transfers, liquidations, and business activities for all reportable companies; and the Merger Schedule, which collects information on the survivors and nonsurvivors of mergers involving any reportable company.

The FR Y-10F collects data on organizational structural changes for FBOs with respect to their U.S. banking and nonbanking activities. There are four schedules: the Characteristics Schedule, which collects information on the initial establishment of a relationship and on changes to legal names and locations for any reportable entity; the Investments and Activities Schedule, which collects information on acquisitions, sales, transfers, liquidations, and business activities for all reportable entities; the Merger Schedule, which collects information on the survivors and nonsurvivors of mergers involving any reportable entity; and the Branch, Agency, and Representative Office Schedule, which collects structure information on branches, agencies, representative offices, and managed non-U.S. branches.

#### *Proposed Revisions to the FR Y-6*

##### **Cover Page:**

The Federal Reserve proposes to change the layout of the FR Y-6 cover page to conform to the standard cover page used for other regulatory reports. The Federal Reserve also proposes certain changes to the FR Y-6, which are listed below.

- Add three check boxes – to indicate for bank holding companies not registered with the SEC that an annual report to shareholders (a) is included with the FR Y-6 report, (b) will be sent under separate cover, or (c) is not prepared. The Federal Reserve proposes adding this item to help ensure that the requirement for an annual report to shareholders is not overlooked.
- Add line item – “E-mail address” so the respondent may provide an additional way to contact the person to whom questions about this report should be directed.
- Modify the Certification – “I, (Name and Title of the Bank Holding Company Director and Official) certify that this Annual Report of Bank Holding Companies has been prepared in conformance with the report instructions.” Currently the official and director signs off that the report has been reviewed and a copy has been forwarded to the Board of Directors for their information. The Federal Reserve proposes making the language stronger so that the official and director declares that he or she has examined the report and it is true and complete to the best of his or her knowledge and belief.

##### **General and Report Item Instructions:**

- Change – “Who Must Report”: Currently the FR Y-6 is filed by all BHCs. The Federal Reserve proposes to require that only top-tier BHCs file the FR Y-6 report. This change would remove the option that allows lower-tier BHCs to file separate FR Y-6 reports for Report Items 3 and 4. Top-tier BHCs in a multi-tiered organization would now be required to include in their FR Y-6 filings Report Items 3 and 4 for each lower-tier BHC. Additionally, the Report Item instructions would be updated to reflect this change. The Federal Reserve believes this should ensure complete reporting by a BHC organization.
- Clarify – Confidential treatment of Report Items 3 and 4.
- Add – under “What Must Be Submitted”: “Cover Page: The cover page of the FR Y-6 must be signed by an authorized person who is both a director and officer of the top-tier bank holding company. The signed cover page should be submitted with the FR Y-6 report.” “For Use By Tiered Bank Holding Companies: The top-tier bank holding company of a tiered bank holding company must complete the information required in COV-2 for each of its subsidiary bank holding companies. COV-2 should be submitted

with the FR Y-6 report” The proposed instructions would clarify the use of the cover page and COV-2.

- Delete – “Report Item 1(a): Form 10-K filed with the Securities and Exchange Commission” Form 10-K is readily available via the SEC’s Electronic Data Gathering, Analysis, and Retrieval system (EDGAR). In addition, Form 10-K is generally available on the BHC’s web site.
- Renumber and Add – “Report Item 1(b): Annual Report to Shareholders” as “Report Item 1.” Add the following instruction indicating the status of annual report to shareholders “A top-tier bank holding company that is not registered with the SEC must indicate on the cover page that an annual report to shareholders; a) is included with the FR Y-6 report, b) will be sent under separate cover; or c) is not prepared.
- Clarify – “Report Item 2: Organization Chart” The organization chart and instructions would be modified to clarify reporting requirements.
- Amend – “Report Item 3: Shareholders” The Federal Reserve proposes to add the following instruction “The top-tier bank holding must file Report Item 3. In a multi-tiered bank holding company organization the top-tier bank holding company must also submit as part of its FR Y-6 a separate Report Item 3 for each lower tier bank holding company.” In addition, the instructions would be amended to address the treatment of deceased shareholder shares. In this situation the deceased person’s estate should be recorded as the shareholder of record until the estate has been settled. Additionally, the instructions would be updated to direct a BHC not to disclose the street address or social security number of their shareholders. Furthermore, the Federal Reserve proposes adding the legal name of the BHC to the sample shareholder disclosure sheet in Appendix A. This would help to identify which BHC the shareholder information pertains to in a tiered BHC organization.
- Retitle and amend – “Report Item 4: Directors and Officers” as “Report Item 4: Insiders.” To help ensure correct reporting, the Federal Reserve believes the term “Insider” is more representative of what is currently reported. A definition of “Insider” would be added to the instructions. The Federal Reserve also proposes to add the following instruction “The top-tier bank holding must file Report Item 4. In a multi-tiered bank holding company organization the top-tier bank holding company must also submit as part of its FR Y-6 a separate Report Item 4 for each lower tier bank holding company.” Additionally, the instructions would be updated to direct a BHC not to disclose the street address or social security number of their shareholders. Similar to the changes proposed to the sample shareholder disclosure sheet, the name of the BHC would be added to the directors and officers disclosure sheet in Appendix A.

#### *Proposed Changes to the FR Y-10 and FR Y-10F*

##### **Reporting Form:**

- Merge the current “Characteristics Schedule,” Sections A and B, with the “Investments and Activities Schedule” Sections A, B, and part of Section D. The newly merged schedule would be divided into a “Banking Schedule” and a “Nonbanking Schedule.” The new Banking and Nonbanking Schedules would comprise three sections: 1) Characteristics, 2) Ownership, and 3) Activity and Legal Authority. The Federal Reserve believes that creating two separate schedules specific to the entity type should improve clarity and significantly reduce reporting burden.

- Merge the current post transaction notice, line item 1 in Section D, and the current merchant banking and insurance company line items 1-3 in Section C, of the “Investments and Activities Schedule” to create a separate “4(k) Schedule” for reporting investments authorized under Section 4(k) of the Bank Holding Company Act. The Federal Reserve believes that having all information about 4(k) activities on one schedule would simplify reporting.
- Reformat the FR Y-10F Branch, Agency, and Representative Office Schedule to be consistent with the proposed Banking and Nonbanking Schedules.
- Add check box to FR Y-10 Banking Schedule under “Characteristics Section” Item 6 Banking Company Type “FBO”
- Add check box to FR Y-10F Banking Schedule under “Characteristics Section” Item 6 Banking Company Type “FBO”
- Add line item to FR Y-10 Nonbanking Schedule under “Ownership Section” - “Item 10.d Regulation K, Subpart A Investments: 1) Joint Venture 2) Subsidiary 3) Portfolio Investment. Collection of this information would alleviate the need to request it from investors. The Federal Reserve does not believe collecting this information on the Y-10 would result in significant additional burden for reporters.

### **Reporting Instructions**

The proposed instructions would be reorganized and clarified to conform with the proposed changes to the reporting form. To provide additional clarity and reduce ambiguity, legal terminology would be simplified. Explanations of reportable and non-reportable events, control, and functionally regulated subsidiaries would be revised to improve clarity. Merger scenarios would be added to the merger schedule instructions to aid in the distinction between internal and external mergers, acquisitions, and transfers. The scenarios are intended to provide reporting guidance, which should reduce respondent reporting burden.

Modify instructions for FR Y-10 and FR Y10F Nonbanking Schedule, Line Item 6 “Nonbanking Company Type” – Separate out “Insurance broker or agent” from “Insurance Underwriter” and “Securities broker, or dealer” from “Securities Underwriter.”

### **Appendix A FRS Legal Authority Codes**

Retitle and redefine - code 999 from “Other” to “Grandfathered regulatory provision not elsewhere classified”

### **Appendix B Federal Reserve Board Activity Codes**

Appendix B would be replaced with the U.S. Census Bureau’s North American Industry Classification System (NAICS) codes. The use of NAICS codes would align the Federal Reserve System with the industry standard for identifying business activities.

### **Respondent Panel**

The FR Y-6 panel would comprise all domestic top-tier BHCs.

The FR Y-10 panel comprises top-tier BHCs, including financial holding companies; state member banks that are not controlled by a BHC; Edge and agreement corporations that are

not controlled by a member bank, a domestic BHC, or a FBO; nationally chartered banks that are not controlled by a BHC, with regard to their foreign investments only; and FBOs that are BHCs and non-qualifying FBOs.

The FR Y-10F panel comprises FBOs that are organized under the laws of a foreign country and that are engaged in the business of banking in the United States through subsidiary banks, Edge or agreement corporations, subsidiary commercial lending companies, or their own branches or agencies. The panel does not include those investments held through a U.S. BHC or through a non-qualifying FBO that is a BHC (these investments should be reported on the FR Y-10).

### **Time Schedule for Information Collection**

The FR Y-6 is filed annually, no later than three months after the end of the BHC's fiscal year. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Data from the FR Y-6 are not published.

The FR Y-10 and the FR Y-10F are event-generated, submitted within thirty calendar days of a reportable transaction or event. Individual respondent data are available to the public upon request through the appropriate Reserve Bank. Under certain circumstances, however, respondents may request confidential treatment. Data from the FR Y-10 and the FR Y-10F are not published.

### **Legal Status**

The Board's Legal Division has determined that the following statutes authorize the Federal Reserve to require the reports:

FR Y-6	Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25 and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 CFR 211.13(c)); and Section 225.5(b) of Regulation Y (12 CFR 225.5(b)).
FR Y-10 and FR Y-10F	Sections 4(k) and 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. §§ 1843(k), 1844(c)(1)(A)); Section 8(a) of the International Banking Act (12 U.S.C. § 3106(a)); Sections 11(a)(1), 25(7) and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); Section 211.13(c) of Regulation K (12 CFR 211.13(c)); and Sections 225.5(b) and 225.87 of Regulation Y (12 CFR 225.5(b) and 225.87).

The Board's Legal Division also determined that the data collected in the FR Y-6, FR Y-10, and FR Y-10F are not considered confidential. However, a company may request confidential treatment pursuant to sections (b)(4) and (b)(6) of the Freedom of Information Act [5 U.S.C. §§522(b)(4) and (b)(6)]. Section (b)(4) provides exemption for "trade secrets and commercial or financial information obtained from a person as privileged or confidential."

Section (b)(6) provides exemption for "personnel and medical files and similar files the disclosure of which will constitute a clearly unwarranted invasion of personal privacy."

## Estimate of Respondent Burden

The following table shows the estimated annual reporting burden for the current and proposed reporting forms. The Federal Reserve estimates that the proposed changes to the FR Y-6 would decrease the annual burden from 22,552 to 21,913 hours. This net reduction in burden hours would be attributed to the deletion of Report Item 1(a), which should more than offset the addition of three minor items to the cover page. Also, the number of respondents decreased and the estimated average hours per response increased since top-tier BHCs would now file on behalf of all BHCs in their organization. The estimated average hours per response for the FR Y-10 and FR Y-10F would decrease slightly to reflect the reorganization of the reporting forms and clarifications to the instructions for easier reporting by respondents. As a result, the estimated annual burden for these two reports would decrease from 14,284 to 11,427 hours. The estimated annual burden for each of these reports, current and proposed, is less than 1 percent of the total Federal Reserve System burden.

	<i>Number of Respondents</i>	<i>Estimated annual frequency</i>	<i>Estimated average hours per response</i>	<i>Estimated annual burden hours</i>
Current FR Y-6	5,638	1	4	22,552
Proposed FR Y-6	5,156	1	4.25	21,913
<b>Change</b>				<b>(-639)</b>
Current FR Y-10	2,448	4	1.25	12,240
Current FR Y-10F	327	5	1.25	2,044
<i>Total</i>				14,284
Proposed FR Y-10	2,448	4	1	9,792
Proposed FR Y-10F	327	5	1	1,635
<i>Total</i>				11,427
<b>Change</b>				<b>(-2,857)</b>

Based on an hourly cost of \$20, the estimated annual reporting cost to the public for the FR Y-6 would decrease from \$451,040 to \$438,260. The estimated annual reporting cost to the public for the FR Y-10 and FR Y-10F would decrease from \$285,680 to \$228,540.

## Estimate of Cost to the Federal Reserve System

Current costs to the Federal Reserve System for collecting and processing these reports are estimated to be \$2,584,707 per year. With the revisions the estimated costs will decrease by 0.56 percent to \$2,570,400 per year. The one-time costs to implement the revised reports are estimated to be \$53,900.



**Consultation Outside the Agency**

There has been no consultation outside the Federal Reserve System.

**Sensitive Questions**

These collections of information contain no questions of a sensitive nature, as defined by OMB guidelines.